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Good for Central America, Good for Us

By John T. Hyatt

Opinions about CAFTA run the gamut. But as a daily witness to the front lines of international trade, I believe Congress needs to pass the Central American Free Trade Agreement as soon as possible.

Much of the local debate has focused on sugar. In fact, I am miffed that Rep. Bobby Jindal has come out against the treaty unless it considers the sugar industry. They don't grow much sugar in Metairie, last I heard, and there are other important businesses in his district related to trade and our port which are concerned about passing CAFTA.

As a vice president for a customs broker and freight forwarder based in New Orleans, I handle export shipments for other firms and help their goods clear customs. Most of my firm's business is with textile and apparel companies, and from what I see, this industry is in big trouble if something isn't done soon. That's because so much of the U.S. textile industry is dependent upon strategic partnerships with manufacturers in Central America and the Dominican Republic.

These manufacturers use an incredible amount of U.S. cotton, yarn and fabric to make their garments. Factories in this region assemble shirts, pants, blouses and other clothing that is then exported back here for sale.

CAFTA will eliminate the high tariffs slapped on U.S. raw materials when they enter Central America and the Dominican Republic.

That's good for our shipping industry, and it's also vital if we want our neighbors in those countries to compete in the world market.

On Dec. 31, all textile and apparel quotas ended for World Trade Organization member countries. This means that garment Goliaths China and India can ship as much men's and women's apparel as they want to the United States, flooding the market with cheaper goods produced by their vast pools of manual labor. And these countries, as well as other potential market dominators such as Bangladesh, Cambodia, and Vietnam, use almost no U.S. fabric content whatsoever.

Further, every dollar of Central American imports results in \$1.36 worth of exports from the U.S. to the region; every dollar of imports from China translates into just 2.6 cents of exports from the United States to China.

Enactment of CAFTA will allow Central America to shift from being a mere assembler of other people's garments to a full-package, integrated operation capable of competing with Pacific Rim and Southeast Asian giants.

On Thursday, in a 126-12 vote, the Guatemalan Congress ratified CAFTA. Previously, El Salvador and Honduras had ratified. We are still waiting for Nicaragua, the Dominican Republic and Costa Rica.

Then, of course, this treaty must come north -- up to the U.S. House of Representatives to begin its journey through Congress.

We have a very small window of opportunity this spring. Soon, President Bush's Social Security and tax reform measures will take center stage.

Under CAFTA, the U.S. textile industry will find a large market for yarn, fabric and trims; Central America will develop a stronger manufacturing sector and increase its access to the lucrative U.S. clothing market.

The treaty will boost Central America's middle class, democratic institutions and social stability -- all of which provide a secure bulwark to the United States on its border.

CAFTA is a win/win situation for the United States and Central America.

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